

---

# ***Capital Creation 2005***

***Better Understanding the Investors:  
Gaining In-Depth Insight into LPs'  
Investment Preferences to Improve Your  
Fundraising Strategy***

**Panel discussion**

**LP Perspective Part 1**

**Tuesday 27<sup>th</sup> September 2005**

# Panel Participants

## Panellists:

**Susan Scollan**, *Head of Private Equity*, Morley Fund Management

**Helen Steers**, *Partner*, Pantheon Ventures

**Ari Jauho**, *Partner*, Proventure

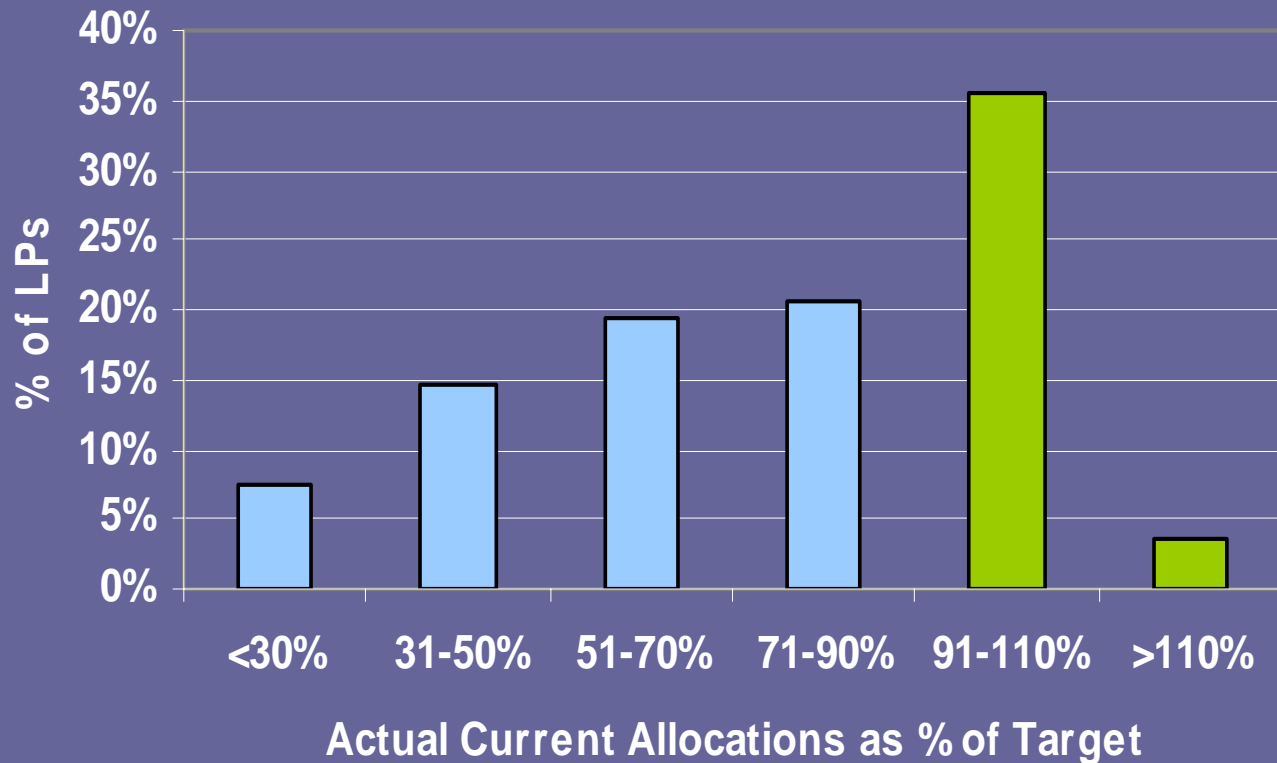
## Panel chair:

**Armando D'Amico**, *Managing Partner*, Acanthus Advisers

# Questions to the Panellists

1. Where are LPs investing their private equity allocations?
2. What's currently worrying LPs about GPs' behaviour?
3. How do LPs select managers?
4. What factors are limiting LPs' access to funds? How do managers "select" LPs?

# The allocation gap

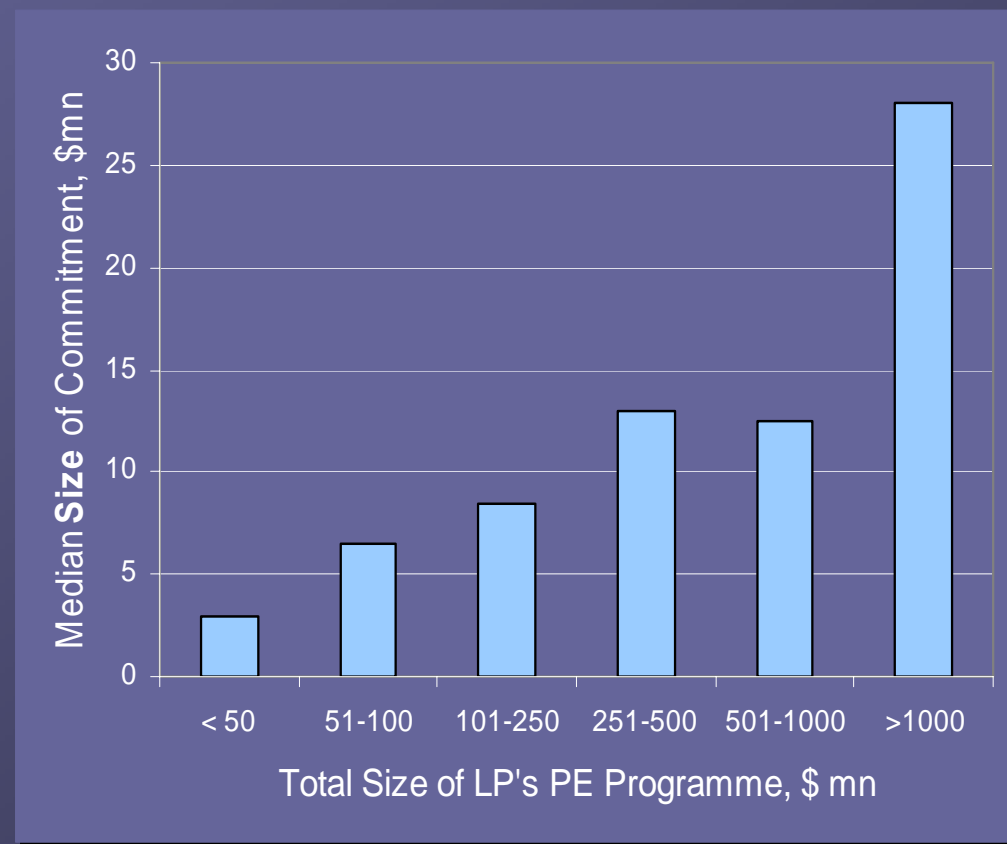
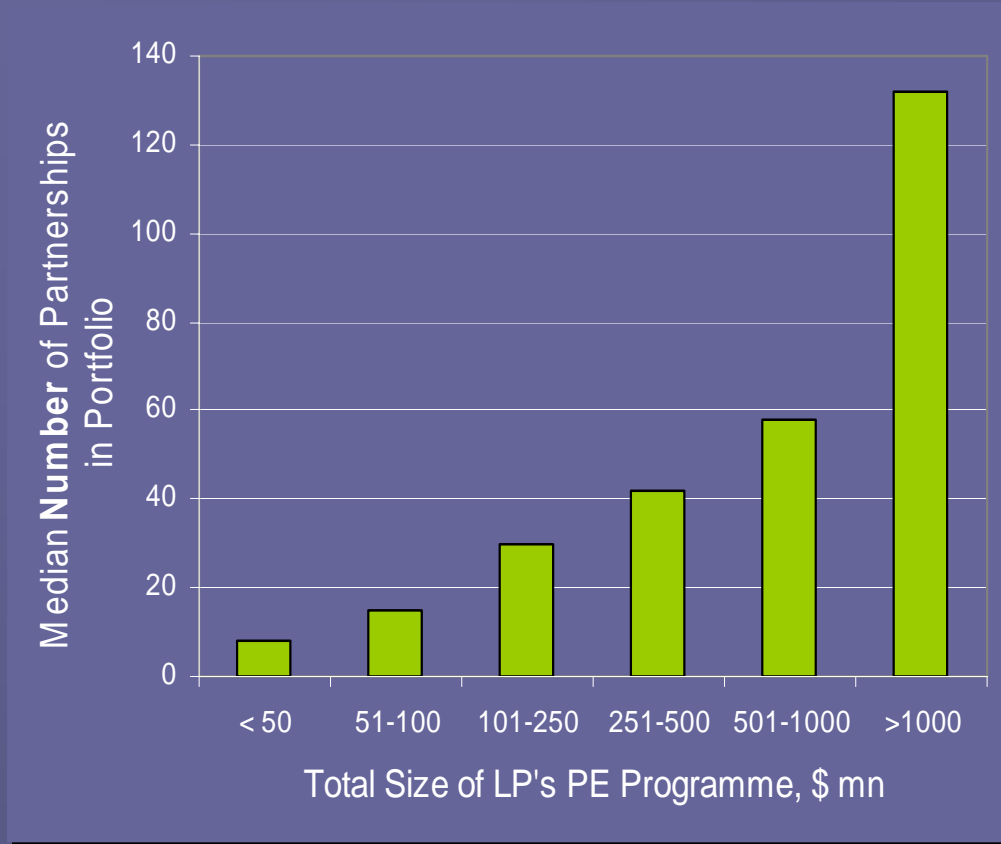


The vast majority of LPs are currently below their target allocation

Only 39% have reached or exceeded their target

Source: Private Equity Intelligence

# Breadth and depth of LPs' portfolios

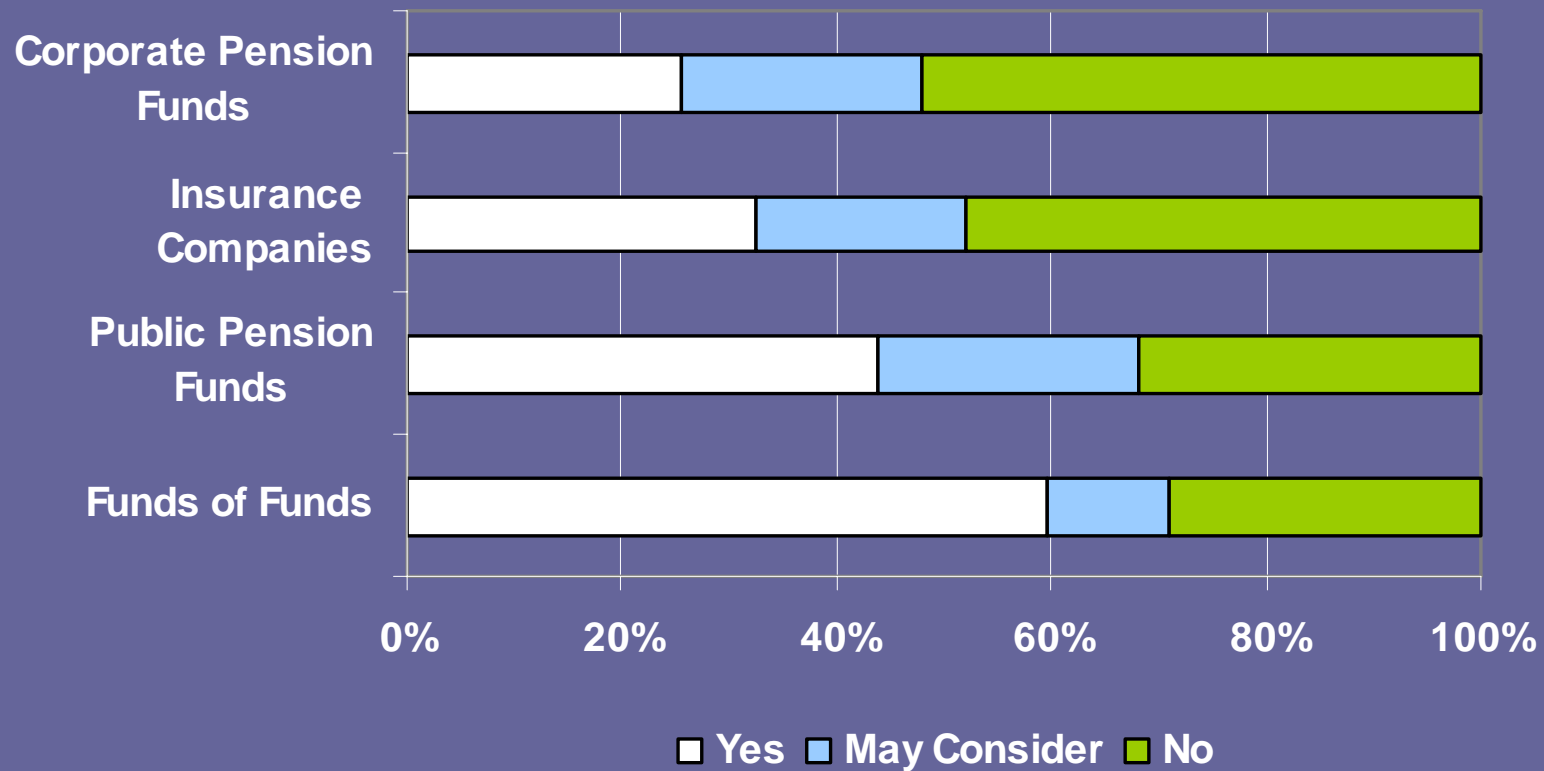


Source: Private Equity Intelligence

➔ Impact on investment strategies, timing, access...

# LPs' receptiveness to first-time funds

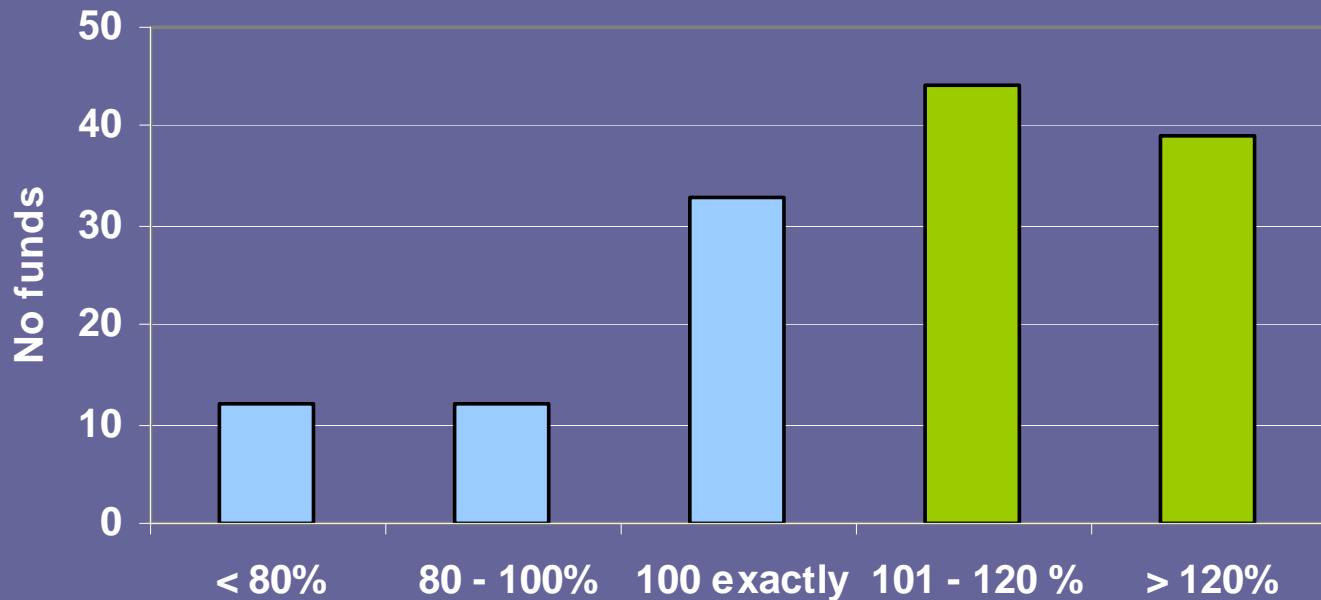
% of LPs prepared to invest in first-time funds



Source: Private Equity Intelligence

# 2005 fund closings

2005 Closed Funds  
Actual / Target Size



Out of 140 closed funds so far this year, over 50% have exceeded their target

Source: Private Equity Intelligence

# 1. Where are LPs investing their private equity allocations?

- Which areas are most attractive, which are out of favour and why?
  - Segments
  - Geographies
  - Country issues (emerging vs. over-efficient)
  - Timing issues
- What are LPs' return expectations in the current climate?

## 2. What's currently worrying LPs about GPs' behaviour?

- Strategy drift
- Raising too much money
- Too much leverage in the portfolios? Excessive use of re-financing
- Lack of transparency in portfolio valuations
- Team issues (succession, turnover) after final closing
- Incentive structures, too high for large funds
- Communication breakdown...

# 3. How do LPs select managers ?

- What are the key factors LPs consider when selecting managers? What is the relative weight of
  - Team
  - Track record
  - Investment strategy
  - Brand
  - Terms

## 4. What factors are limiting LPs' access to funds?

- Funds closed to new investors
- Re-ups: limited room for new LPs
- Timing
- Internal resource constraints
- Terms and conditions, legal / tax
- GPs' preferences and negotiating positions...

# Acanthus Advisers

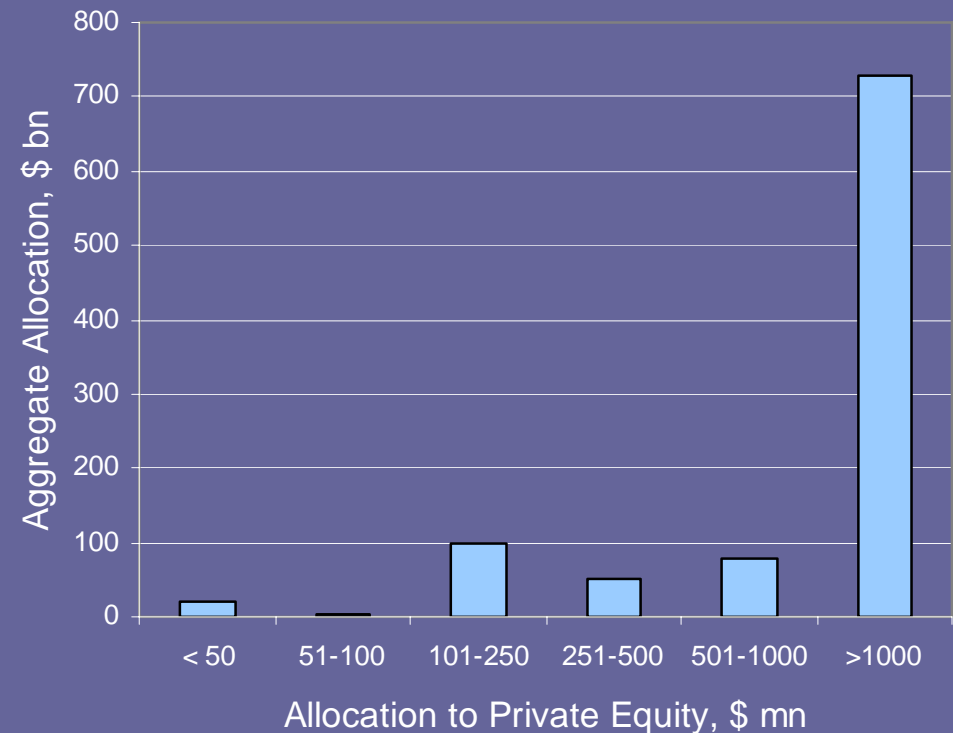
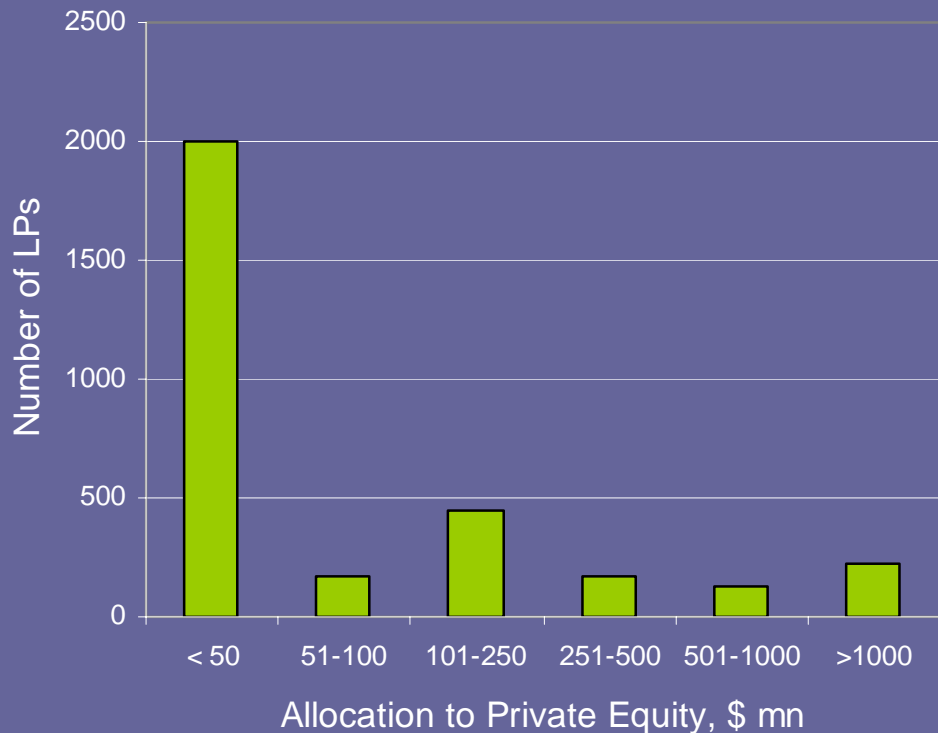
## *Firm profile*

- Independent fund placement and corporate advisory firm focused on private equity, founded in 1998
- Fund focus: €100-500m any stage; providing fundraising, investor relations and strategic advice
- Corporate advisory focus: private transactions; €10-150m EV

## *Armando D'Amico – Managing Partner*

- 20+ years' experience in private equity, banking and strategy consulting
- Senior banker at EBRD - €700m fund of funds
- Special adviser to Euro Private Equity Partners (FOF)
- Ten years strategy consulting Europe/US (Bain & Co., Alliance, Telesis)
- M.Sc. Civil Engineering, INSEAD MBA

# Number and total allocations by size of LPs



Source: Private Equity Intelligence

➔ Medium-sized LPs are a significant provider of capital